

Competition Policy & Poverty- Lessons from Covid-19

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Presentation Outline

- I. Introduction to the Commission
- II. The Commission's interventions during Covid-19: Lessons.
- III. Conclusion



I. INTRODUCTION TO THE COMPETITION COMMISSION



1. Mandate

The Competition Commission is a statutory body constituted in terms of the Competition Act, No 89 of 1998 by the Government of South Africa empowered to investigate, control and evaluate restrictive business practices, abuse of dominant positions and mergers in order to achieve equity and efficiency in the South African economy.

2. Objectives of the Competition Act

- **To promote and maintain competition in order to:**
 - Promote efficiency and development of the economy;
 - Provide consumers with competitive prices and product choices;
 - Ensure SMEs an equitable opportunity in the economy;
 - Advance economic welfare of South Africans;
 - Expand opportunities for South African participation in world markets;
 - Promote greater spread of ownership, in particular HDI's.

3. Functions

1. Enforcement

- **Prosecution of anti-competitive behaviour**
 - Cartels (Bid-rigging, Co-ordination)
 - Vertical Restraints
 - Abuse of dominance (*Buyer Power, Price Discrimination, Excessive Pricing etc.*)
 - Exemption Applications

2. Mergers & Acquisitions

- **Prevent market concentration through control**
 - Review of Merger applications
 - Approvals, Approvals with conditions, Prohibitions

3. Market Inquiries

- General probe into state of competition in a market without investigating a particular firm.

4. Advocacy

- **Advocacy for pro-competitive conduct**
 - Case/ Sectoral Advocacy
 - Stakeholder Relations (incl. international)
 - Policy Reviews

4. Priority Sectors: *enforcement, advocacy & market inquiries*

1. Agriculture, food and agro-processing
 2. Construction services, property and infrastructure
 3. Healthcare
 4. Banking and financial services
 5. Energy
 6. Manufacturing
 7. Information and communication technology and digital markets
 8. Transport and automotive
- **PRIORITY SECTOR CRITERIA INCLUDES: 1) Impact on the poor 2) Government policy 3) Complaints received 4) Household expenditure**

II. LESSONS FROM COVID-19



5. Essential Food Prices (1)

ENFORCEMENT:

- Agriculture was centre stage/ spotlight in the nation during the pandemic- food prices and food security came to the fore
- DTIC published list of Essential Products published under the Price Gouging regulations.
- The Competition Commission received +2000 complaints.
- Bulk of those relevant complaints received were basic agro-related food products – bread, rice, maize plus fruit & vegetables (incl. ginger & garlic)
- Other complaints related to masks, sanitizers & wipes.
- **Block exemption** in Healthcare sector.

ADVOCACY:

- Engagements with retailers and wholesalers- pricing discipline.
- Collaboration with other stakeholders: KZN Economic Department, National Consumer Commission.
- Essential **Food Price Monitoring Report**- quarterly publication.
- Supported the Sugar Industry masterplan (DTIC)- exemption and a guideline

6. Essential Food Prices (2)

- We undertook an **impact study to assess the deterrent effects** through an online survey of suppliers and retailers of essential products: The study found that
 - Awareness: **96% of respondents knew about the laws.**
 - Deterrent effects or Compliance: What did they do once they were aware?
 - **54% avoided increasing prices**
 - **41% only increased prices when suppliers increased prices (input priced increased)**
 - 35% kept gross margins in check
 - 29% used their knowledge of the regulations to push back at suppliers who increased prices
 - 16% used the regulations to bargain better cost prices with suppliers
 - 15% refused to buy from suppliers who raised prices
- **Therefore, the visibility of the Commission during the pandemic appears to have prevented widespread price gouging**

7. Essential Food Prices (3)

APPROACH & OUTCOMES:

- Speedy investigations- re-arrangement of organizational processes and systems for more efficient response.
- Settlement agreements + fines + social remedies.
- Prosecution which led to reduction of Covid CPR tests by major pharmaceuticals.

III. CONCLUSION



8. Conclusion

1. The Importance of Measuring Impact

The Commission undertakes impact assessments annually:

- Case-specific e.g. a merger
- Sector-specific e.g. cement/
- Advocacy e.g. school uniform
- The **World Bank (2016) found that the Cartels work of the Commission had a material reduction in poverty rates.**

2. Effective Institutional response within given Regulatory Mandate:

- The Commission performed its work during Covid-19 in a manner that it was able to be responsive to the crisis at hand.
- The Act (plus its new amendments) are enabling and allow the Commission to regulate effectively, towards inclusive growth. **Covid lessons can be carried forward post-Covid.**

3. The Importance of Institutional Collaboration

- Improved coordination by Government, regulators and stakeholders is needed to achieve inclusion and reduction in poverty.